

# **State of Alaska FY2025 Governor's Operating Budget**

## **Department of Health Health Care Services Results Delivery Unit Budget Summary**

## Health Care Services Results Delivery Unit

### Contribution to Department's Mission

To provide health coverage to Alaskans in need.

### Core Services

- Provide a full range of health care services and support services while ensuring management efficiencies and the capitalization of Medicaid financing to assure that services are available to customers.

### Major RDU Accomplishments in 2023

#### Residential Licensing Program

- The Residential Licensing program oversaw the new and ongoing licensure of 754 facilities statewide, including assisted living homes (714) and residential childcare facilities (40) an increase of 24 facilities and 244 beds from the previous year. The total bed count statewide increased from 4,597 in FY2022 to 4,841 in FY2023.
- Residential licensing specialists conducted 433 inspections in FY2023, a decrease of 99 inspections from the previous year. This reduction was a result of the unit completing all the backlog inspections that were postponed due to the COVID-19 public health emergency.
- Residential Licensing completed 11,667 critical incident reports during FY2023. This is an increase of 500 intakes from the previous year because of the increased number of assisted living homes in the state.

#### Health Facilities Licensing and Certification Program

- The Health Facilities Licensing and Certification unit conducted 157 health facility surveys, including safety surveys for state licensure and/or federal recertification, complaint investigations and infection-control surveys. Health Facilities Licensing and Certification continues to work with state and federal agencies on ensuring the well-being of individuals seeking healthcare services in Alaska.

#### Background Check Program

- The Background Check Unit tracked, processed, and issued determinations for 26,291 background check applications.

#### Medicaid Program

- The Medicaid Systems and Analysis unit implemented systematic changes to support the appropriate payment for preventive services, aligning with guidelines such as the United States Preventive Services Taskforce.
- The Medicaid System and Analysis unit implemented systematic changes to support the appropriate payment for dental services, adding criteria to ensure that provided dental procedures were medically necessary for both adults and children.
- The Medicaid Systems and Analysis unit added validation logic, in compliance with the federal CARES Act requirements, to ensure that home health services were not paid by Alaska Medicaid unless a valid electronic visit verification was present.
- The Medicaid Pharmacy unit combined efforts with the Pharmacy and Therapeutics Committee and the Drug Utilization Review Committee to save more than \$46 million, approximately 45 percent of which were state funds.
- The Medicaid Operations unit oversaw contracted utilization management services that resulted in gross savings more than \$24.2 million during FY2023, a \$10.80 to \$1.00 return on investment through the denial of medically unnecessary services. Clinical case management overseen by the Medicaid Operations unit yielded gross savings exceeding \$1.05 million, a \$7.02 to \$1.00 return on investment for case management services provided to Medicaid recipients with complex and costly conditions.
- The Medicaid Operations Unit implemented regulatory packages across several Medicaid programs to expand services and enhance program oversight. The Department of Health adopted regulations permanently allowing telehealth flexibilities implemented during the public health emergency. The division also expanded adult preventive services and allowed licensed professional counselors and licensed marital and family therapists to be reimbursed for services rendered in a federally qualified health center. Regulation changes to dental, vision,

physical therapy, occupational therapy, and speech language pathology services were implemented to ensure services are medically appropriate.

- The Medicaid Quality Assurance unit adjudicated 10,889 first-level provider appeals and 630 second-level provider appeals in FY2023.
- The Medicaid Quality Assurance unit facilitated a 93 percent increase in use (1,328 new member registrations) of the Explanation of Medicare Benefits (EOMB) portal by Medicaid recipients.
- The Medicaid Quality Assurance unit avoided \$11.2 million in costs through increased Care Management Program placements under 7 AAC 105.600.
- The Medicaid Quality Assurance unit oversaw the processing of 5,732 provider enrollment applications in FY2023, a six percent decrease over the previous year. This decrease was due to the ending of the COVID-19 public health emergency.
- The Quality Assurance exceeded care management program growth as the program grew by 95 percent and corresponding cost avoidance increased by 44 percent.
- The Medicaid Tribal Health unit continues to actively work with tribal organizations to develop and implement solutions to the Centers for Medicare and Medicaid Services “Four Walls” grace period. In addition, the Medicaid Tribal Health unit drafted and successfully implemented tribal federally qualified health center regulations effective November 2021, resulting in the preservation of 100 percent federal funding for these services.
- The Medicaid Tribal Health unit, with the assistance of the tribal health organizations and other state departments, successfully reclaimed, through care coordination agreements, \$124.5 million during FY2023.
- The Medicaid Accounting and Recovery unit worked directly with Medicaid recipients over age 65 to assist with Medicare enrollment. For each Medicaid recipient who enrolls in Medicare, Medicaid moves from primary to secondary payer, thus reducing total Medicaid expenditures. During FY2023, the Medicaid Accounting and Recovery unit enrolled 412 recipients, resulting in savings of \$5.9 million.
- The Medicaid Accounting and Recovery unit, in collaboration with the Department of Law and a third-party contractor, recovered \$190 million in claims that were overpaid for reasons such as the presence of other insurance and incorrect provider billing. As a result of the unit’s work with accounting and financial controls, auditing, collections, and optimizing other revenue sources, the department recovered and saved more than \$680 million during FY2023, an increase of 17 percent from FY2022.
- The Medicaid Accounting and Recovery unit collaborated with the Division of Senior and Disabilities Services to distribute funds for the approved American Rescue Plan Act to supplement funding for Medicaid home and community-based providers. By the end of FY2023, \$12.4 million is projected to be distributed to 233 providers.

## Key RDU Challenges

- On April 1, 2023, the division transitioned to a new fiscal agent vendor, Health Management Systems, Inc. (HMS), a Gainwell Technologies Company, after more than 15 years with the former vendor. The fiscal agent performs customer service, provider enrollment, services authorization, claims processing, and financial cycle functions for the Alaska Medicaid program. The transition was an opportunity to address long-standing concerns with excessive call center hold times, delays in authorization determinations, claims processing times, and provider enrollment functions. While program adjustments continue to be made, the provider and recipient communities are already experiencing significant improvements. Call center hold times for providers, recipients, and travel requests are averaging two minutes or less—down from 3-6 hours depending on the queue. Providers can see the status of all service authorizations submitted, which was historically not the case. Claims adjudication processes have drastically improved. The average daily suspended claims inventory has been reduced from 75,000 claims in May 2023 to 44,000 in September 2023. Claims processing times have also significantly decreased with 51.9 percent of the current inventory being within two weeks of the submission date. There are still challenges in some functional areas as the division works with the new vendor to stabilize processes but expecting permanent service level improvements as the transition moves forward.
- The Residential Licensing program continues to experience significant growth in the number of providers for which it is responsible for licensing. The number of assisted living homes and beds has steadily increased since the inception of the program and Alaska continues to have one of the fastest growing senior populations in the nation; the number of older Alaskans is increasing at a rate more than four times the national average. This growth has directly impacted and will continue to impact the number of assisted living home providers and assisted living beds, which increases the workload related to licensing, background checks, complaints, critical incident reports, and investigations.
- The Background Check unit is working on federal background check requirements and timelines for childcare

programs that were extended in September 2021 due to the COVID-19 public health emergency. Additional statutory and regulatory changes may be needed as the federal government continues to refine the requirements. As a result of the cyberattack in May 2021, all progress ceased until September 2021 when systems were restored, however the Background Check Unit made strides to fulfill the new requirements pertaining to software necessary to integrate, into the background process for Child Care Program Office applications, the Department of Public Safety's additional check for sex offenders into the regular background checks for Child Care Program Office applications.

- The Medicaid System and Analysis unit is challenged with continuing to meet changing Medicaid program needs while addressing procurement requirements for a system re-solicitation for the Medicaid Management Information System. The Systems and Analysis unit must simultaneously provide resources and capabilities to maintain ongoing operations, address existing system limitations, develop new, defensible contracts for system support, and move toward system technology modernization. Each of these critical infrastructure requirements must be completed timely and accurately to avoid Medicaid service disruption.
- The Medicaid Tribal Health unit, through the reclaiming process, tracks the care coordination agreements and partners with tribal health organizations to verify referrals and exchange of health records for the state to claim 100 percent federal funding. The number of referrals requested and verified by the department since the new policy was implemented through the end FY2023 was 217,230. The number for which sufficient documentation was available to validate the referral was 45,244 or 21 percent of referrals requested. The department continues to partner with the tribal health organizations to identify ways to increase the percentage of verified referrals.
- The volume of inbound Medicaid enrollment applications and subsequent revalidations continues to grow as new provider types are onboarded. The required risk-based screening elements and application throughput of the fiscal agent continue to be a challenge.

### Significant Changes in Results to be Delivered in FY2025

- The COVID-19 public health emergency significantly impacted the in-person provision of services and highlighted the need for telehealth delivery of services in communities around Alaska. The department is currently working with providers to determine the needs after the public health emergency. New Medicaid telehealth regulations will be proposed to ensure that reimbursement policies support increased access to care in underserved communities in the most cost-effective manner.

#### Contact Information

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### Health Care Services RDU Financial Summary by Component

*All dollars shown in thousands*

	FY2023 Actuals				FY2024 Management Plan				FY2025 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
<b>Formula Expenditures</b>												
Catastrophic & Chronic Illness	0.0	0.0	0.0	0.0	153.9	0.0	0.0	153.9	153.9	0.0	0.0	153.9
<b>Non-Formula Expenditures</b>												
Health Facilities	445.1	8.3	1,925.6	2,379.0	922.2	100.0	2,104.3	3,126.5	953.5	100.0	2,185.7	3,239.2
Licensing & Ce	2,813.7	196.9	1,022.0	4,032.6	3,080.2	366.5	1,458.7	4,905.4	3,320.4	374.8	1,680.5	5,375.7
Residential Licensing	5,092.8	71.2	5,478.1	10,642.1	6,352.6	191.6	7,811.3	14,355.5	6,543.8	192.7	8,071.3	14,807.8
Medical Assistance Admin.												
<b>Totals</b>	<b>8,351.6</b>	<b>276.4</b>	<b>8,425.7</b>	<b>17,053.7</b>	<b>10,508.9</b>	<b>658.1</b>	<b>11,374.3</b>	<b>22,541.3</b>	<b>10,971.6</b>	<b>667.5</b>	<b>11,937.5</b>	<b>23,576.6</b>

**Health Care Services**  
**Summary of RDU Budget Changes by Component**  
**From FY2024 Management Plan to FY2025 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2024 Management Plan</b>	<b>7,574.2</b>	<b>2,934.7</b>	<b>658.1</b>	<b>11,374.3</b>	<b>22,541.3</b>
<b>One-time items:</b>					
-Residential Licensing	-1.5	0.0	0.0	-1.5	-3.0
<b>Adjustments which continue current level of service:</b>					
-Health Facilities Licensing & Ce	3.4	27.9	0.0	81.4	112.7
-Residential Licensing	36.7	33.1	8.3	51.4	129.5
-Medical Assistance Admin.	191.2	0.0	1.1	260.0	452.3
<b>Proposed budget increases:</b>					
-Residential Licensing	0.0	171.9	0.0	171.9	343.8
<b>FY2025 Governor</b>	<b>7,804.0</b>	<b>3,167.6</b>	<b>667.5</b>	<b>11,937.5</b>	<b>23,576.6</b>